



COMMONWEALTH OF AUSTRALIA

PARLIAMENTARY DEBATES



HOUSE OF REPRESENTATIVES

PROOF

BILLS

**VET Student Loans Bill 2016, VET Student
Loans (Consequential Amendments
and Transitional Provisions) Bill 2016,
VET Student Loans (Charges) Bill 2016**

Second Reading

SPEECH

Tuesday, 18 October 2016

BY AUTHORITY OF THE HOUSE OF REPRESENTATIVES

SPEECH

<p>Date Tuesday, 18 October 2016 Page 10 Questioner Speaker Hartsuyker, Luke, MP</p>	<p>Source House Proof Yes Responder Question No.</p>
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Mr HARTSUYKER (Cowper—Assistant Minister to the Deputy Prime Minister) (12:57): On listening to the contribution by the member for Adelaide I can only say that they have short memories with regard to public administration. Who can forget pink batts, green loans, cash for clunkers and \$900 checks to dead people? The list is endless when it comes to Labor's maladministration. And who can forget that the members opposite are in fact the architects of the problems that we are fixing.

I am very pleased to speak on this reform package. In 2015, as Minister for Vocational Education and Skills, I introduced legislation aimed at strengthening protection for students, helping the interests of taxpayers, pushing unscrupulous operators out of the business and ensuring that our vocational education and training sector was held in the high regard that it should be. And I am pleased that good Minister Birmingham has continued that good work, and that has manifested itself in the legislation before the House today.

Australia's vocational education system is world leading. The outcomes delivered through our system are relevant and valuable in the modern economy of the 21st century. Our VET teachers and instructors are well regarded, and students and employers value the qualifications that can be earned through Australia's VET system. Unfortunately, Labor's VET FEE-HELP loans program has let the entire sector down. Labor's flawed scheme was not sustainable. It was characterised by rapidly rising fees, debts for students, poor student outcomes and the proliferation of unscrupulous providers. Labor removed the requirement for VET FEE-HELP courses to be linked to further study at a university level. They required little accountability from registered training organisations or their agents.

Labor designed the program with in-built incentives to rot the system, and it did not take long for unscrupulous providers to take advantage of Labor's architecture. It allowed training providers and their agents to market courses as free or government funded, when in fact they were not. Several years ago my staff observed brokers from a VET FEE-HELP provider standing outside the soup kitchen in Coffs Harbour using free iPads as bait to lure homeless people into signing up for expensive diploma courses.

When Labor threw open the VET FEE-HELP floodgates, the scheme blew out from costing \$325 million in 2012 to \$1.8 billion in 2014 and \$2.9 billion in 2015. Student numbers jumped by almost 400 per cent, fees more than doubled and loans increased by 792 per cent.

In 2015 the government implemented a range of measures in an effort to put the program on a sustainable footing. We banned inducements and tightened the eligibility criteria for providers. We put new rules in place to ensure that prospective students had the minimum literacy skills needed to complete a course. We stopped brokers from marketing courses as free, and we required training providers to tell prospective students that VET FEE-HELP was a loan and not a grant from the government.

In total, we implemented around 20 separate measures to get VET FEE-HELP under control. However, it quickly became clear to me that Labor's VET FEE-HELP model was utterly beyond redemption. The only option was to freeze the program in 2016, stop the unsustainable growth and rebuild the program from the ground up.

The sad thing is that this whole situation is downgrading the reputation of hundreds of honest training organisations who are delivering quality services. This sad and sorry saga has harmed the reputation of the Australian VET sector. The entire sector has been dragged down by the handful of dodgy training organisations. We need to restore trust in the sector, and this legislation will go a long way towards doing that. VET FEE-HELP was a mess of Labor's making—just like pink batts, green loans, cash for clunkers and cheques for dead people. However, the reform package that we have before the House will introduce a new concessional loan program for vocational education students studying at the diploma level and above.

Loans under the new VET student system will only be available for courses that are a national priority, align with industry needs and provide a reasonable prospect of employment. Australia's vocational education system offers

a wide variety of courses, which is a good thing. But there are many courses that could be described as lifestyle courses—subjects that may be interesting and that may be stimulating, but are unlikely to lead to employment. There is nothing necessarily wrong with these types of courses, but they should not be funded by the Australian taxpayer. If someone wants to do a diploma of energy healing, that is fine; but taxpayers should not pay for it. The same principle applies to diplomas of fashion styling, veterinary Chinese herbal medicine and many other qualifications that are interesting but not a national priority.

The minister has released a long list of courses that will be eligible when the new VET Student Loans program begins. Interested stakeholders can provide feedback on that list until 23 October. As national priorities change, the list will be updated.

This package of reforms is dynamic, flexible and sustainable; but, more importantly, it is sensible and fair. It will put a cap on the loan amounts for specific courses, whereas under Labor's system the sky was the only limit on course cost. One of the great problems with Labor's VET FEE-HELP system was that it contained no price signals for students or providers, so training organisations just charged whatever they wanted. I saw numerous examples of courses for a cash price of \$3,000 to \$4,000 but a VET FEE-HELP price of \$15,000 or more—outrageous behaviour.

The properly considered caps that are part of this program were chosen based on analysis of the course prices under the NSW Smart and Skilled program and validated against average VET FEE-HELP fees prior to the exorbitant rises in course fees in recent years. There will be some exemptions to the caps where there is a demonstrated need, particularly in areas such as aviation, where courses can cost as much as \$80,000 or more.

It is worth noting that providers can still charge above this cap, and, if so, students will be required to pay the difference. Some students may choose to do this; however, many are likely to seek an alternative provider who charges fees that are within the allowable cap. The loan caps are not an attempt to stymie business or to prevent providers from making a profit. But it is expected that loan caps will put a stop to the exorbitant rises in course fees that we have seen in recent years.

In addition to the fee caps, students will need to show progression through a course to be able to continue to access to a VET student loan. Students undertaking a longer VET FEE-HELP course will be able to apply to have their current arrangements grandfathered until the end of 2017. A fee will now be required for providers of VET FEE-HELP loans to enable them to offer VET FEE-HELP courses; they will also be required to pay an annual levy for this service. Existing VET FEE-HELP providers—with the exception of some existing bodies such as TAFEs—will have to apply under the new program. Again, the aim of the reform package is to put checks and balances in place to better regulate the sector and to raise the bar.

The reform package also bans the use of brokers and agents to recruit students for VET Student Loans courses. Brokers were a large part of the problem with Labor's VET FEE-HELP system, as they had a financial incentive to sign up as many people as possible, but they had no accountability when the students proved incapable of completing a course or repaying the loan. This reform package will also retain many of the reforms introduced last year, including a ban on the use of inducements such as iPads or laptops, and a requirement for a parent or guardian to approve a VET student loan for a student under the age of 18.

I have met with numerous excellent training organisations in my electorate of Cowper and around the country. Our local North Coast Institute TAFE is an excellent provider of quality training and is doing a wonderful job in developing and delivering high quality qualifications. Many of the organisations are delivering absolute quality outcomes, and they are frustrated that their reputation, along with the reputation of the whole sector, is being dragged down by rogue operators who profited under Labor's VET FEE-HELP regime. Unfortunately, many of my constituents have been left with large loans as a result of the scheme introduced by Labor—loans that they cannot repay for courses they did not want and were effectively tricked into signing up for by unscrupulous brokers and operators.

I am pleased that the government is moving further down the path of reform through the changes that we are debating in the House today. This is important legislation. It protects the students and the taxpayers of the North Coast and it protects the students and the taxpayers of Australia more generally. The changes that come into force with this legislation will build on the legislation that I introduced last year. It will protect North Coast students from the sharks and unscrupulous operators who have done so much damage to the VET system and so much damage to many students. I commend these bills to the House.